

# Center of Hope

## Capital Project Business Plan



## Hill Country Community Clinic Redding, CA

Revised: 1/11/19

Prepared in collaboration with:



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## **ORGANIZATIONAL OVERVIEW**

### **Background**

Hill Country Community Clinic (Hill Country) is a Federally Qualified Health Center providing outpatient medical, dental, mental health, intensive case management and wellness services to residents of Shasta County, California. Hill Country's main site opened in 1985 and is located in Round Mountain, California, an area designated "frontier" by the federal government. In 2015, Hill Country opened its first satellite clinic in Redding, in response to the significant unmet need created by the Affordable Care Act and California's Medicaid expansion. Hill Country has been committed to the integration of primary medical care and mental health treatment since its inception. Recent integration efforts have focused on the development of complex care programs, which treat the whole person and address the social determinants of health. All of these programs serve patients with complex health and social needs by providing intensive case management integrated with medical care and behavioral health services. Many of these patients are homeless or at risk of homelessness. Hill Country's mission is to: with kindness, work in partnership with its patients and community to provide the health care services, education and support needed to live whole, healthy and satisfying lives.

In 2017, Hill Country served 6,200 patients. Sixty-three percent (63%) were Medicaid recipients and ninety-six percent (96%) earned 200% or less of the federal poverty level (FPL).

### **Description of Services:**

**Primary Medical Care:** Current services include:

- Preventive care for all ages
- Women's Health
- Family Planning
- Accidents and acute illnesses
- Psychiatry
- Referrals to specialists
- Telemedicine access to specialists
- Chronic Disease Management
- Case Management and Referral Tracking
- Integrated mental health/Substance Use Disorder services

Hill Country practices a team based model of care. The organization has been recognized as a Level 3 Patient Centered Medical Home since 2014. A Behavioral Health Consultant (BHC - a licensed mental health clinician) is embedded in the primary care teams and is available for real time warm hand-offs and brief follow up appointments for medical patients. BHC's assess complex patients for risk and assist in the development of accurate diagnosis and treatment planning.

**Behavioral Health:** Crisis services are provided through a contract with Shasta County Mental Health. Currently, substance abuse services are provided by LCSWs and Certified Drug and Alcohol Counselors, but comprehensive outpatient treatment is not currently available in the service area. Hill Country will add substance abuse services as soon as a funding opportunity is

available. Hill Country's LCSWs also provide direct service at approved school sites throughout the county. Current services include:

- Counseling for individuals, couples, children and families
- Groups and classes
- Behavioral Health interventions integrated with primary care
- Case Management and support services for at risk seriously mentally ill adults and youth

**Oral Health:** Current services include:

- Dental Exams and X-rays
- Oral Cancer Screening
- Dental Prophylaxis
- Topical Fluoride Treatment – Fluoride Varnish
- Oral Health Counseling
- Sealants
- Recalls and Reminder services
- Amalgam and Resin Based Restorations
- Root Canals
- Scaling and Root Planning
- Full Mouth Debridement
- Periodontal Maintenance
- Complete and Partial Dentures
- Denture relines and Repairs
- Crowns
- Extractions
- Palliative Treatments
- Occlusal Guards
- Dental Supplies and Tools dispensed on site
- Case Management - Referral Coordination and Tracking

**Chiropractic Care:** In mid-2012, Hill Country added chiropractic care to its 330 Scope of Services. Contracted Chiropractor offers care four days per week at two Hill Country sites. This service is recommended as an alternative to narcotic pain medications whenever possible.

**Podiatry:** A podiatrist provides care at Hill Country one day each month, focusing on diabetic patients and others as referred by primary care.

**Pharmacy:** Hill Country participates in the 340B pharmacy program. A small dispensary is maintained at the Round Mountain site. Hill Country's 340B pharmacies include Owens (locally owned), Safeway, Rite Aid, and Walgreens. When a patient requires a brand name medication that is prohibitively expensive, a patient assistance coordinator helps the patient apply for assistance directly to the pharmaceutical company.

**Enabling/community services:** Hill Country has long been committed to addressing the social determinants of health. This commitment is reflected in the organizational mission statement: *With kindness, Hill Country Health and Wellness Center works in partnership with our patients and community, providing to everyone the health care services, education and support needed to live whole, healthy and satisfying lives*

Hill Country provides the following services to all patients, enabling access to services and promoting wellness:

- Intensive Care Management- Hill Country currently offers five intensive care management programs:
  - Intensive Outpatient Case Management is a program funded by Partnership HealthPlan, the county's MediCal Managed Care plan. The program provides intensive management to frequent users of the emergency room and other complex patients
  - Full Service Partnerships – For the past ten years Hill Country has been funded by Shasta County Mental Health to provide intensive case management to youth and adults with serious mental illness who are at risk of hospitalization, incarceration or homelessness. This well-developed program serves as a model for its other intensive care management programs
  - Medication Assisted Treatment- Hill Country utilizes a team approach to provide medication treatment for Opioid Use Disorder. The team includes the prescribing provider, a mental health counselor, a case manager and coordination with a partner agency which provides comprehensive drug and alcohol treatment services.
  - Assisted Outpatient Treatment (AOT)- This intensive case management program serves people with a serious mental illness who are resistant to treatment.
  - Whole Person Care – this program serves homeless individuals who are misusing emergency department services. Hill Country works closely with a housing case manager from the county to stabilize and house these individuals.
- Transportation - Four vehicles provide individual and group transportation for necessary medical and social service visits for patients who otherwise could not obtain services
- Referrals and follow-up for other needed services - The Behavioral Health Care Coordinator on each primary care team is available to all providers to help patients with non-medical referrals for needed services, such as housing and legal services
- Medico-Legal Partnership – Hill Country and Legal Services of Northern California are piloting a Medico-Legal Partnership at the Round Mountain clinic. Hill Country plans to expand this soon to Redding.
- Translation - when needed, telephone translation services are used
- Bilingual Spanish speaking staff - all clinic sites have bilingual staff
- Teen Program - Hill Country sponsors and staffs the Intermountain Teen Program at locations in Round Mountain and Burney. The teen program provides otherwise isolated teens with an opportunity to socialize and participate in healthy activities. The teen program also provides a milieu in which young people with serious mental illness can participate in supported activities with the community at large

- Circle of Friends – Circle of Friends is a wellness program for people and families experiencing mental illness. They provide a wide range of activities three days each week plus field trips on evenings and weekends. Classes of many kinds are also offered. All Hill Country providers refer isolated individuals and others in need of social connection to Circle of Friends.
- Emergency Food - Hill Country participates in the federal emergency food program and has food onsite at both clinic locations for needy families
- Library with free internet access

### **Continuity of Care:**

**a. Admitting privileges:** Hill Country’s physician providers have admitting privileges at both Redding hospitals: Mercy Medical Center Redding, a Dignity Health Hospital; and Shasta Regional Medical Center. However, admission is typically handled by hospitalists at both facilities. The physician at the Lake Blvd. clinic is also faculty at the local family practice residency program, based at Mercy Hospital, and this role helps to facilitate Hill Country’s relationship with the hospital. Both hospitals and Hill Country are members of a new regional health information exchange, SacValley MedShare.

**b. Discharge planning and tracking:** Both hospitals have developed portals where nurse managers ideally receive discharge notifications for Hill Country patients, and in the absence of a notification, can go on the portal and see if any of its patients have been hospitalized. Also, Partnership HealthPlan has a system for notifying the clinic when a Hill Country PHC patient has been hospitalized. When these systems notify the clinic that a patient has been hospitalized, nurse managers contact the patient to set up a primary care appointment. These systems have significantly improved discharge planning and follow-up.

### **Partnerships & Collaborations**

Hill Country has a long track record of working with nearly every entity possible in the local community, and also participates in local and area networks. Hill Country’s Board consists of local residents who volunteer, serve in an advisory capacity, and develop policy for the clinic. When the clinic in Round Mountain was created thirty-three years ago by community members, it quickly became the heart of the community. Thousands of homemade raviolis were served at community dinners, raising funds that paid for the initial outfitting of the trailers in which staff began providing care. The Board of Directors strongly believes that health derives from much more than simply treating illness once it has developed. The most effective and efficient approach to health starts outside of clinics, hospitals and doctors’ offices; it takes shape in the community and in people’s private lives with the personal choices they make every day. The many collaborative relationships reflect the importance that Hill Country places on addressing the social determinants of health in its patients’ lives.

**a. Neighboring Health Centers:** Hill Country works closely with neighboring FQHCs to share patients and improve care. For example, Mountain Valley Health Centers is the FQHC neighbor to the east. They provide primary medical care in Burney and Fall River Mills, but they have very limited dental or behavioral health services at those sites. Their patients are

referred to Hill Country for those services, then return to Mountain Valley for medical care. Hill Country has a similar relationship with Shingletown Medical Center, an FQHC to the south. To the west, Shasta Community Health Center is the largest FQHC in the region. As a large provider, they have some specialty services onsite, and when possible, make their specialists available to Hill Country patients. Hill Country's collegial relationship with all of these Health Centers is essential to its collective effectiveness in providing care to Shasta County's unserved and underserved residents. Hill Country participates in all of the activities of the Health Alliance of Northern California (HANC) and in statewide advocacy activities.

**b. Health Departments:** Since 2006, Hill Country has been contracted by Shasta County Health and Human Services Department to provide the bulk of mental health services in rural eastern Shasta County. Shasta County also funds Circle of Friends, a wellness program for people and families with mental illness. Circle of Friends is located in Burney, Ca and serves more than 150 people a month. The program has made a tremendous difference in the lives of hundreds of isolated individuals and families. Hill Country also works closely with Shasta County Mental Health's crisis team and the sheriff's department to manage care for rural residents who need emergency psychiatric services. Staff members from the two organizations meet monthly to better coordinate care.

**c. Rural health and free clinics:** The closest RHC is in Canby, California, a very small farming town 90 minutes east of Hill Country. The Canby Clinic is a member of HANC, and Hill Country's CEO has a close collegial relationship with their Executive Director.

**d. Critical Access Hospitals:** Mayers Memorial Hospital is a CAH located in Fall River Mills, 50 minutes east of Hill Country. Because of the terrain, and the tendency of residents to go to the valley for shopping and other services, not many of Hill Country's patients choose to go to Mayers when hospital services are needed. Nevertheless, Hill Country works with Mayers at every opportunity.

**e. Free Clinics:** There are no free clinics in the region.

**f. Other Federally supported grantees:** Shasta Community Health Center, the largest FQHC in the region, has both a Ryan White program and a Healthcare for the Homeless program. With Hill Country's expansion into Redding, the two organizations are working together more closely.

**g. Private Providers:** Since there are no private providers within 30 miles of Hill Country's main site, relationships have largely been through the referral network that the organization has developed over the years. Through the Shasta Health Assessment and Redesign Collaborative (SHARC), a much more robust relationship has developed with the Northern Valley Medical Association, the local branch of the California Medical Association.

**h. Home Visiting programs:** Hill Country works closely with several home health agencies serving both rural and urban Shasta County.

**i. Other Programs Serving the Target Population:** Locally, HCCC works most closely with Acorn Community Enterprises, a local non-profit organization which promotes community health, youth, and economic development. Acorn's current primary activity is the operation of

KKRN, a community radio station located on the Hill Country Round Mountain campus. Hill Country uses KKRN for health programming and outreach.

Hill Country is also a member of *IMAGE (Intermountain Action, Growth and Education)*, a group initially formed in 1998 to address issues related to the implementation of Welfare Reform. IMAGE meets monthly. The collaborative is the only group of its kind in Shasta County in that it serves to both draw attention to the region and **to educate and bring key county figures in contact with the people, context, and needs of the region.** For Redding-based organizations, the collaborative has become a well-known point of access to eastern Shasta County groups and organizations. IMAGE has found strength in numbers and has leveraged more bargaining power and legitimacy through its longevity, its networking capacity, and the stability and growth of its participant base. Most recently, IMAGE has taken on the development of a volunteer-driven transportation program. Hill Country, Mountain Valleys Health Centers, and Mayers Memorial Hospital, have been key members of this effort. The Boards of Directors of all three of these healthcare organizations volunteered to be the sponsor of this project, called “Caring Wheels.” In the end, Mayers Memorial Hospital was chosen as the lead agency because it has the largest existing volunteer pool. Coordination of IMAGE is provided by Tri-County Community Network, a family resource center in Burney.

Regionally, HCCC is a member of the *Health Alliance of Northern California (HANC)*, a nonprofit organization consisting of nonprofit FQHCs or RHCs, tribal health facilities, hospitals, and health departments. The service area of this network includes all or portions of nine counties, with a population of over 100,000 rural residents living in 16,000 square miles. County population densities range from 3.0–6.5 persons per square mile. HANC is the regional leader in health information technology and health information exchange. Hill Country has participated in numerous HIT pilots over the years, and is committed to remaining in the forefront of rural HIT. Hill Country has used telemedicine actively since 2000 to increase specialty access for its patients. HANC provided the leadership to the seven-county regional advocacy effort which resulted in Partnership HealthPlan of California being approved as the MediCal managed care entity for all seven counties. Hill Country’s CEO was very involved in this successful effort.

HCCC also actively participates in the long-standing *Northern California Rural Roundtable*, a coalition of community clinics north of San Francisco who meet quarterly to **share and learn about best primary care practices.** HCCC is an active member of the **California Primary Care Association.**

**Hill Country works closely with the many small public schools in the region.** Hill Country’s Licensed Clinical Social Workers travel to several school sites each week to provide counseling services to students and families. Preventive dental services are also offered at school sites. A policy change at the state level recently resulted in the transition of services for severely emotionally disturbed students from county mental health departments to the department of education. The Fall River Joint Unified School District advocated with the county office to obtain this service from Hill Country.

Provider Staffing & Utilization

<b>Key Staffing Data</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Physicians	1.6	1.8	1.8
Mid-Levels	4.3	5.9	6.3
<b>Total Medical Providers</b>	<b>5.9</b>	<b>7.7</b>	<b>8.1</b>
Dentists	2.6	3.3	3.1
Hygienists	1.9	2.4	2.5
<b>Total Dental Providers</b>	<b>4.5</b>	<b>5.7</b>	<b>5.6</b>
<b>Behavioral Health FTEs</b>	<b>6.9</b>	<b>9.5</b>	<b>9.7</b>
<b>Total FTES</b>	<b>76.5</b>	<b>92.5</b>	<b>96.0</b>

<b>Utilization Ratios</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Medical Patients	3,595	4,299	4,791
Medical Visits	12,445	15,299	16,364
Dental Patients	2,338	2,422	2,250
Dental Visits	7,099	7,767	7,276
MH Patients	866	1,004	986
MH Visits	4,914	5,873	6,607
<b>Total Patients</b>	<b>5,197</b>	<b>6,076</b>	<b>6,131</b>
<b>Total Visits</b>	<b>26,636</b>	<b>32,462</b>	<b>34,233</b>
Medical Visits/Patient	3.5	3.6	3.4
Dental Visits/Patient	3.0	3.2	3.2
MH Visits/Patient	5.7	5.8	6.7
<b>Total Visits/Patient</b>	<b>5.1</b>	<b>5.3</b>	<b>5.6</b>

## GOVERNANCE AND MANAGEMENT

### **Board of Directors**

A 10-member board of directors governs Hill Country, which has the responsibility of setting policy to further HCCC's mission. Board members are elected to serve for two-year terms. HCCC has a very diversified board made up of business leaders and representatives of the patient population. The board is balanced in terms of age, sex, ethnicity and areas of professional expertise. Current board members have an average of five years of experience on HCCC's board of directors and have been oriented to their roles and responsibilities with respect to HCCC's mission in this community. The board is responsible for assuring fiscal viability, compliance with all federal regulations and other designated regulatory agencies, and setting operational policies. Board members live and work in the service area, and are consumers of health care at HCCC. The Board is committed to having members with diverse demographic, economic and ethnic backgrounds.

Name	Title	Date		Affiliations/Occupation
		Elected	Expiration	
Larry Russell	Chair	Feb-08	Jan-20	Shasta College Instructor/ Volunteer Firefighter
Elizabeth Messick	Member	Oct-00	Jan-20	Retired Nurse
Ellen Sugg	Vice Chair	Sep-82	Jan-19	Shasta College Instructor/ Volunteer Firefighter
Bill Masten	Member	Feb-17	Feb-20	Retired Firefighter
Jack Kimple	Member	Mar-07	Jan-21	Retired Physician
Doug Wakefield	Secretary	Mar-15	Jan-19	Local Business Owner
Paula Percy	Member	May-15	May-21	Registered Nurse; Healthcare Auditor
Amanda Voss	Member	Mar-15	Mar-21	Community Activist
Marcia Rideout	Member	Mar-14	Feb-21	Community Activist
Fred Newell	Treasurer	Jul-05	Jan-19	Heavy Equip Operator

### **The Management Team:**

Hill Country's management team continues to be strong and committed. The management team meets weekly to monitor the progress of the organization. They also complete an annual work plan, which serves as a guide for managing internal and external factors that impact the center's operation. This work plan contains a health care plan supported by a business plan. The CEO, CFO, & CMO also meets with the board of directors monthly to provide a full report on key aspects of the overall operations of the health center.

- **Lynn Dorroh, CEO 1.0 FTE:** Lynn assumed this leadership position in early 2004, building on her long history with HCCC. Prior to becoming CEO, Lynn served the Clinic in numerous capacities: Board Member, Grant Writer, Program Director, and Behavioral Health provider. Lynn recently has served as the President of both the Health Alliance of Northern California, and most recently the Shasta Health Assessment and Redesign Collaborative (SHARC), as it led the advocacy effort to secure Partnership HealthPlan as the Shasta County Medicaid managed care contractor. She has also chaired the Rural Committee of the California Primary Care Association.

- **Nick Cutler, CFO/Deputy Director 1.0 FTE:** Nick was promoted to CFO in January 2016 upon the retirement of the long-time CFO Richard Hardie, also a founder of the clinic. Nick served as Finance Manager and then Controller for five years prior to becoming CFO. His degree in accounting and ability to generate reports that Board and staff want to read and understand have been a valuable contribution to the clinic and the region, through his participation in the regional CFO network.
- **Susie Foster, FNP, Clinical Director .7 FTE; .3 FTE clinician:** Susie has been a provider at Hill Country for seven years and became Clinical Director in 2016. Susie has a head for administrative details as well as clinical care, and she is making great contributions to the QI program and the overall improvement of the medical department. She sees patients 1.5 days a week and performs administrative functions half time. She was recently appointed to the California Governor’s Song-Brown Healthcare Workforce Commission.
- **Mirtha Balcazar, MD, Associate Medical Director .2 FTE; .8 FTE Clinician:** Dr. Balcazar has provided internal medicine to the residents of Shasta County for many years. She has been with Hill Country for six years. Because there are duties that must be performed by a physician to keep Hill Country in compliance with multiple regulatory agencies, Dr. Balcazar serves as the Associate Medical Director, supervising the onsite lab and the dispensary, for example.
- **Vicky Everett, Compliance Risk Management Officer 1.0 FTE:** Vicky has been with the Clinic for thirty-one years, serving first as a front office/billing assistant. As a result, Vicky has a deep knowledge of both FQHC compliance requirements and quality improvement processes. She remains the “go-to” person for operational questions related to FQHC requirements, compliance, and risk management.

Hill Country contracts with BKD for the annual financial audit and fiscal counsel. Their familiarity with the health center program has helped to build the expertise of both the Board and staff.

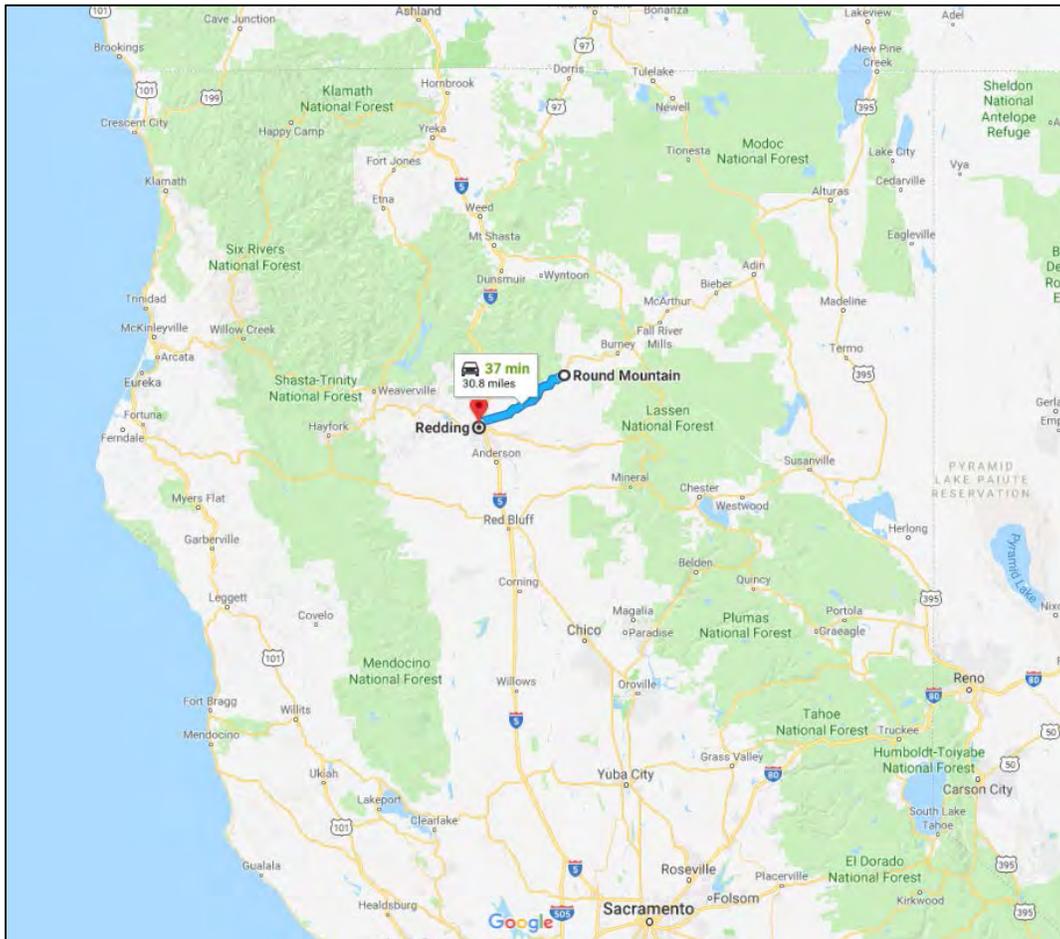
### **Recruitment and retention:**

Projections to meet Hill Country’s five-year goals have been conservative, and management believes that as a result of recent staffing expansions, the current staff can absorb the expected increase in patients and visits. Hill Country has also renovated two older exam rooms in Round Mountain and is currently recruiting for an additional physician. Hill Country has benefitted greatly from the NHSC loan repayment program. Three dentists, one FNP, one PA, one Licensed Psychologist, and two LCSWs are benefiting from the program. Management makes every effort to retain high-quality providers. All full-time providers work a flex schedule which allows at least two 3-day weekends each month. The team-based atmosphere at Hill Country is always mentioned by staff as a significant benefit of working here. In recent years, Hill Country has been fortunate to remain fully staffed. The CEO serves on the local AHEC advisory committee, and stays informed about changes in the workforce world. Management recognizes that recruitment will be a growing challenge and are currently redesigning the clinic’s website to serve as a better recruitment tool.

## MARKET OVERVIEW

### Service Area Identification and Description

Hill Country Community Clinic currently operates primary care centers at three locations in Shasta County, CA, including its main clinic in Round Mountain 37 miles northeast of Redding. With the success of its community services and integrated care model in Round Mountain, Hill Country plans to expand on this concept by constructing the “Center of Hope” on donated land in east Redding. The facility will offer comprehensive, wrap-around services including medical, dental, mental health, job training and addiction therapy with a specific focus on the youth and homeless populations.

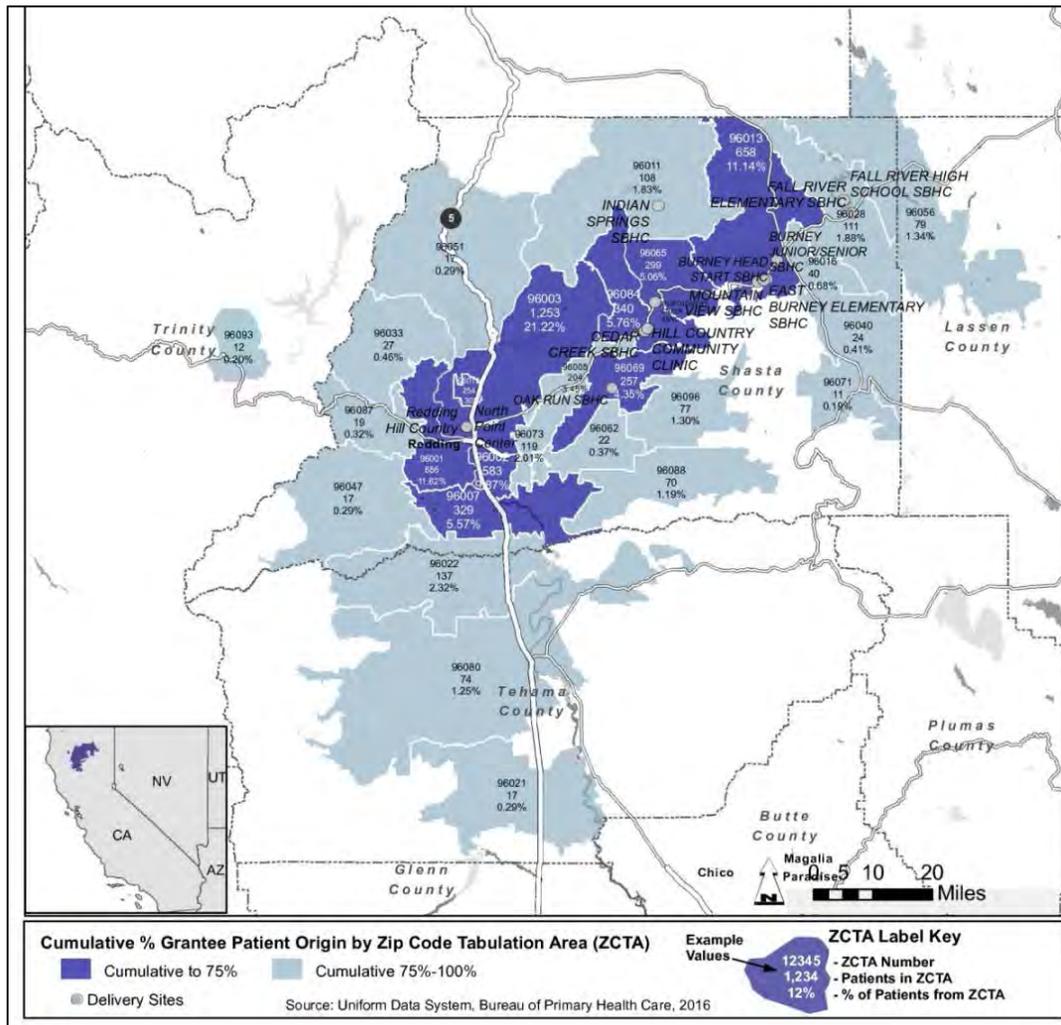


The City of Redding covers an area that is less than 1.6% of the total area of Shasta County though its population in 2017 comprised over 50% of the county total. Over half of the county is covered in forests, with forest products, agriculture and recreation/tourism as major industries.

According to Esite Analytics, a subscription demographic data service utilizing information from the Census Bureau’s latest American Community Survey, the population of the town of Round Mountain was estimated at less than 400 in 2017 while the broader population of the three surrounding zip codes (96008, 96065 and 96069) was just under 4,000. In contrast, the population of the City of Redding was estimated at 92,000 in 2017 and the total surrounding service area (see

below for description/definition of the Redding Market Area) at 151,000. As the commercial and social hub of central northern California that is largely rural, Redding attracts people seeking specialized services from a geographical area that is much larger than the Redding Market Area (RMA).

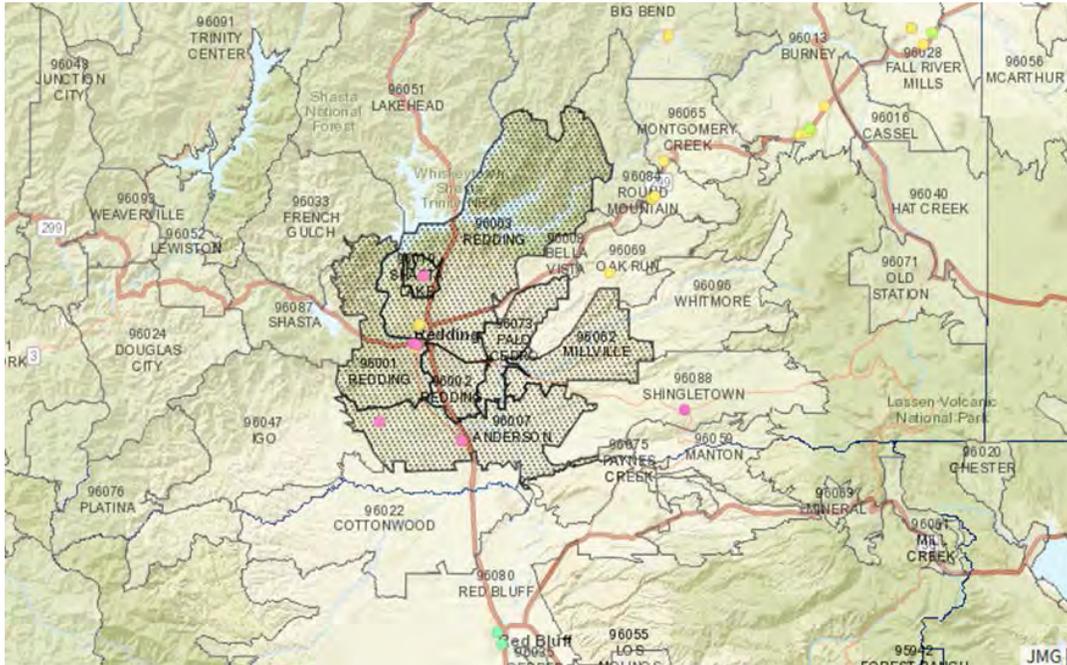
### Patient Origin and Service Area



The above graphic represents Hill Country’s full service area as depicted by its 2016 Uniform Data System (UDS) patient origin data. The darker blue area indicates the address of origin for 75 percent of the center’s total patient base. The remaining lighter, shaded area represents the remaining 25 percent. As illustrated by this map, Hill Country’s patients come from a geographically large region and may travel as much as 2 hours to receive care.

For the purposes of this demand analysis specifically for the Center of Hope, the Redding Market Area (RMA) is designated as zip codes 96001, 96002, 96003, 96007, 96019, 96062, 96073 as shown as the shaded areas in the following map. It is noteworthy that much of the RMA lies within the center’s current primary service area suggesting that a new facility may attract a fair number of

current patients. While this may be a welcome convenience to those patients it may result in some fundamental changes to the financial business model at each of Hill Country’s existing centers.



### Demographics and Economic Indicators

As noted in the table below, there are a few important conclusions to be drawn from the general demographic profile of the Redding Market Area (RMA) as it compares to the state of California, Shasta County and the 96002 zip code where the project will be located.

<b>Population Quick Facts - 2017</b>	<b>California</b>	<b>Shasta County</b>	<b>Redding Market Area*</b>	<b>96002</b>
<b>Population</b>				
Population, 2017 estimate	39,597,658	181,960	153,183	33,902
Population, 2010 Census	37,253,928	177,222	149,568	33,404
Population, % change - 2010 to 2017	6.3%	2.7%	2.4%	1.5%
Population- Projected to 2022 (Esite)	40,879,722	190,071	160,618	35,640
Population, percent change - projected 2010 to 2022	9.7%	7.3%	7.4%	6.7%
<b>Age (2016 est.)</b>				
Persons under 5 years, percent	6.4%	5.9%	6.1%	6.9%
Persons 5-19 years, percent	19.6%	17.9%	18.2%	19.4%
Person 20-34 years, percent	22.3%	18.5%	19.5%	21.5%
Persons 65 years and over	13.2%	19.8%	19.0%	18.0%
Median Age (2016)	36.2	42.4	40.7	36.9

- The population growth rate in the RMA from 2010 to 2017 was slightly below that of Shasta County but well above that of the 96002 zip code. Interestingly the growth rate in the RMA is projected to increase by 2022 to exceed that of the county.

- The population of the RMA is slightly younger than the County with a median age of 40.7 as compared to 42.4 in the County; however both areas are significantly older than the state. The percentage of seniors in both the county and the RMA are approximately a third higher than in the state as whole.

<b>Race/Ethnicity (2016)</b>					
	White	55.4%	85.0%	84.6%	80.5%
	Black or African American	6.0%	1.1%	1.2%	1.5%
	American Indian and Alaska Native	1.0%	2.8%	2.6%	2.5%
	Asian or Pacific Islander	14.8%	3.2%	3.6%	6.1%
	Some Other Race	17.6%	3.0%	3.0%	4.2%
	Two or More Races	5.3%	4.9%	5.0%	5.3%
	Hispanic or Latino ethnicity	39.4%	10.0%	10.1%	12.5%
	Not Hispanic or Latino	60.6%	90.0%	89.9%	87.5%
<b>Income</b>					
	Per capita Income	\$ 33,432	\$ 25,712	\$ 25,462	\$ 24,172
	Median household income	\$ 65,410	\$ 46,867	\$ 46,606	\$ 44,292
<b>Income (% change from 2010 to 2017)</b>					
	Per capita Income	11.8%	3.4%	3.4%	3.5%
	Median household income	9.7%	5.4%	5.5%	6.2%
<b>Educational Attainment</b>					
	Less than High School	18.5%	10.9%	10.6%	9.9%
	High School graduate	20.8%	25.3%	25.0%	23.8%
	Bachelor's degree	19.7%	13.1%	13.2%	13.6%
	Advanced Degree	11.4%	6.8%	7.1%	7.0%

- The differences in resident race/ethnicity between the RMA/Shasta County areas and the state are striking. The RMA has a much higher percentage of whites than the state while the percentage of Hispanics is only a quarter of California's.
- Incomes in the RMA /Shasta County area are only 2/3<sup>rd</sup> s those in the state and per capita income grew at less than a third of the pace of the state (and, notably at an average annual rate much lower than inflation).
- Compared to the state, the RMA has a higher percentage of residents with at least a high school education but a significantly lower percentage of those with college or advanced degrees.

Housing		California	Shasta County	Redding Market Area*	96002
Total Housing units		14,083,264	77,956	63,527	13,339
Vacancy Rate %		4.7%	8.4%	6.0%	5.9%
% Owner Occupied		53.9%	62.4%	60.0%	56.3%
% Renter Occupied		46.1%	37.6%	40.0%	43.7%
Average Household Size		2.81	2.33	2.41	2.54
Language Spoken At Home (5+) -		California % of total 2015 population	% Speak English less than Very Well	RMA % of total 2015 population	% Speak English less than Very Well
Spanish		26.1%	42.9%	4.3%	25.8%
Chinese		2.8%	56.7%	0.5%	74.5%
Laotian		0.1%	48.3%	0.2%	49.8%
Persian		0.5%	38.7%	0.2%	70.2%
Russian		0.4%	46.1%	0.1%	57.8%
Tagalog		2.0%	33.8%	0.3%	44.3%
Thai		0.1%	58.7%	0.1%	94.6%
Hmong		0.2%	45.2%	0.2%	37.4%

- Average household size is lower than for the state as a whole – perhaps reflecting a higher percentage of seniors, but home owners make up a higher share of the housing stock.
- The aforementioned low percentage of Hispanics in the population is reflected in the language statistics as well. Those speaking Spanish at home is at a rate that is only 1/6<sup>th</sup> of that of the state suggesting less demand for translations services than faced by many FQHCs elsewhere in the state.

### Current Access to Care Limitations

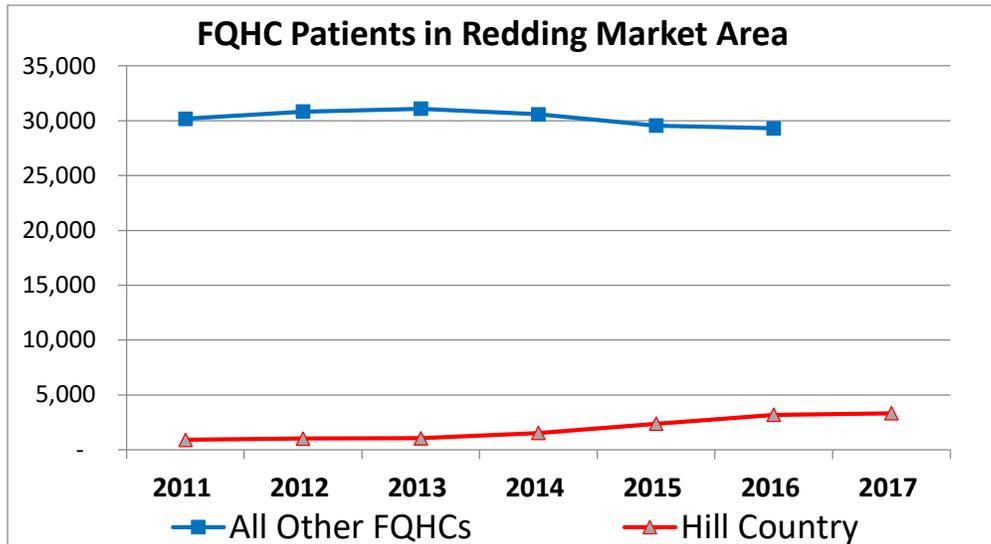
A provider shortage currently exists and is likely to worsen. A recent workforce study conducted by the Health Alliance of Northern California revealed that of the 424 physicians currently practicing in Shasta County more than half are over 55. Waiting lists at both FQHCs serving the RMA are extremely high. Third Next Available Appointments at Hill Country in the second quarter 2017 was 20.2 days on average. For Shasta Community Health Center, it was 33.9 days. Hill Country’s dental clinic in Round Mountain has 1,200 patients on a waiting list.

### Patient Demand Analysis

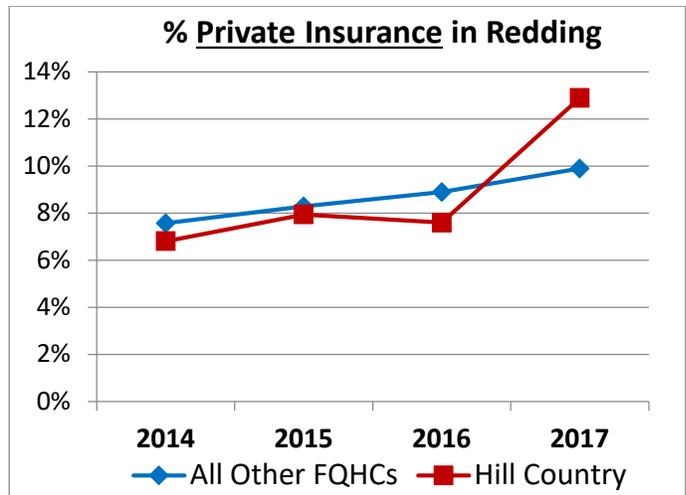
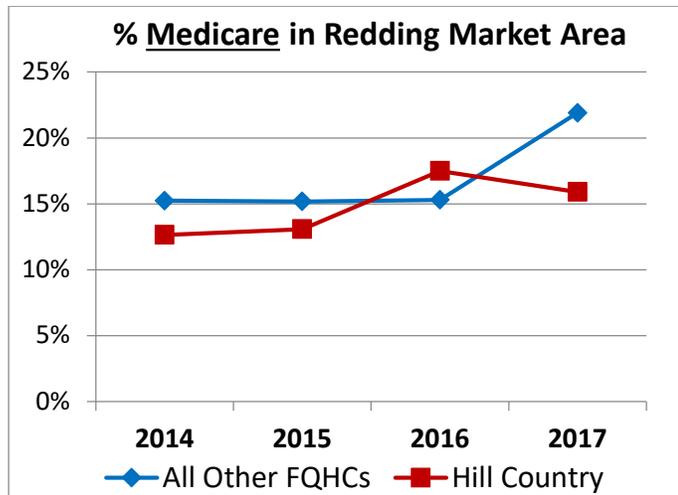
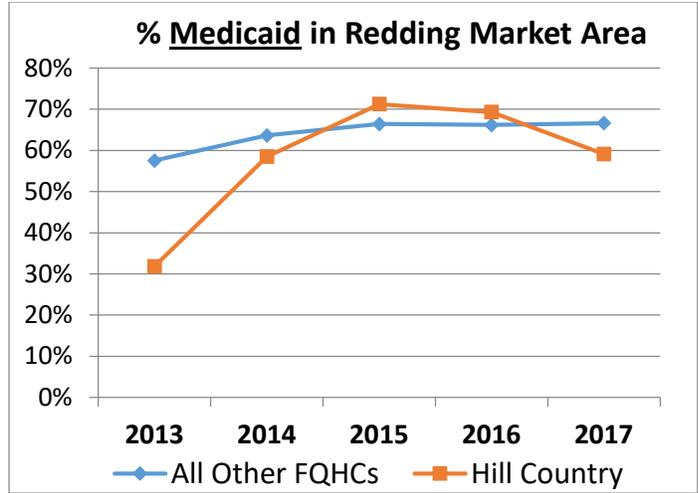
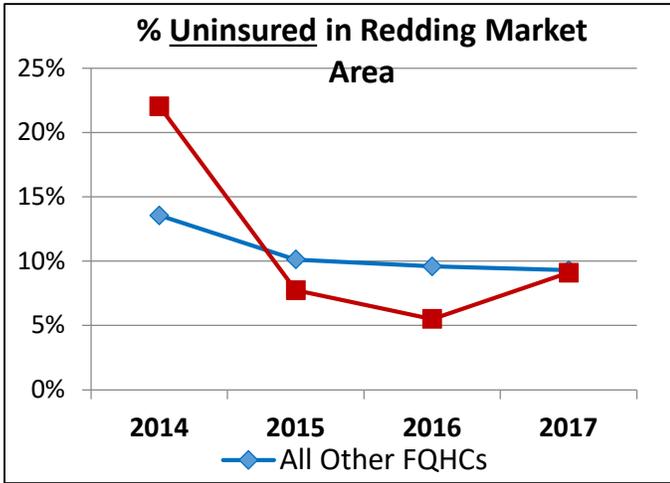
#### Historical FQHC Patient Trends

The graph on the following page provides a recent history of the year-to-year changes in Hill Country’s patient count from the Redding Market Area, compared to that of all other FQHCs serving patients from the same area. Despite the presence of the other FQHC sites in Redding, Hill Country has managed to increase its patient count in the last several years primarily by opening

satellite clinics in and around the RMA. While the population of the RMA has been growing slowly, it appears that some of Hill Country’s growth has come from the market share of other FQHCs. It should be noted one in three Shasta County residents qualify for Medi-Cal since the Medicaid expansion. Primary care capacity has yet to catch up with the significant increase in patients assigned by Partnership HealthPlan of CA. More than 200 patients per month are now being assigned to Hill Country. Some of these patients are requesting Hill Country, and some are by geographic assignment.

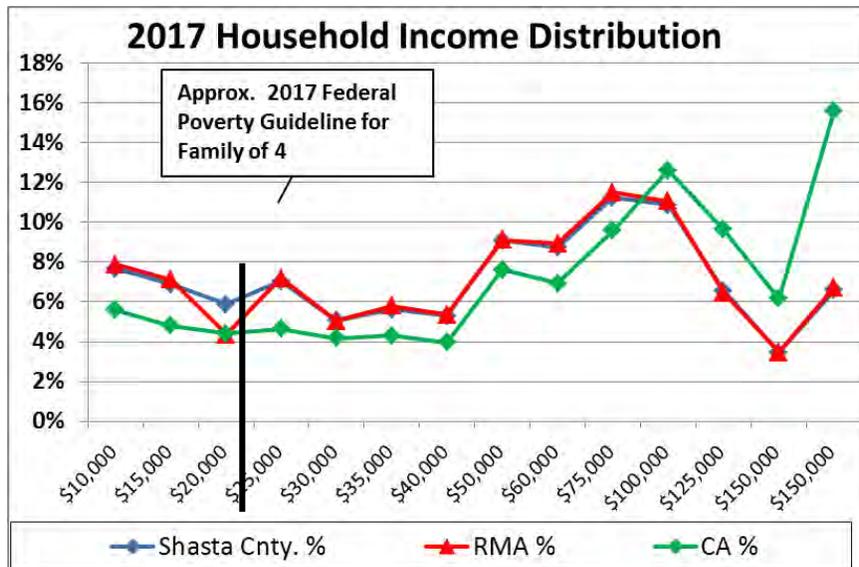


Hill Country had an approximate **9.8%** market share of FQHC patients in the RMA in 2016 (3,191 of 32,490 total FQHC patients) which is relatively small given that Hill Country is the second largest FQHC operating in the area. The graphs on the following page are provided to give some sense of how the patient mix (as demonstrated by the centers’ payer mix), has changed for Hill Country and all the other FQHCs collectively operating in the area. The review period includes the effects of the state-wide Medi-Cal expansion from the implementation of the Affordable Care Act. Notably, the drop in Hill Country’s uninsured percentage in the Redding area rebounded slightly in 2017 as the health center expanded its reach while its Medi-Cal patient mix showed a corresponding dip. Notably the center’s Medicare patient percentage has increased significantly over the last two years which reflects the demographic changes in the local population. The most recent data also suggests that Hill Country is attracting more privately insured patients – a trend which Hill Country is likely to accelerate as it looks to fill the new facility.



**Relative Income**

Using stratified household income data for 2017 (from ESite Analytics, a subscription demographic data service) it is possible to create a graphical comparison of the household incomes of the population of Redding Market Area as it compares to that of Shasta County and California as a whole. Given the concentration of Shasta County’s population within the Redding Market Area, the overlap in the data between the groups is not surprising.



In summary, the RMA has a higher percentage than the state of the very poorest households but also appears to have a higher number of middle income households as well – who are most likely to have private insurance – and a significantly lower percentage of those with highest incomes. A projection of the income data provided by Esite Analytics (see table below) also suggests that the proportion of households with incomes above the ACA threshold is projected to stay high and fairly steady through 2022 so Hill Country’s Medi-Cal payer mix may very well be more affected by further changes in safety net program policy than by anticipated demographic changes.

% of Households By Income				
	Shasta Cnty.		Shasta Cnty.	RMA
	2017	RMA 2017	2022	2022
<=100% FPL	18.0%	18.0%	16.6%	17.5%
100%-138%	9.1%	7.9%	8.4%	7.7%
138%-400%	42.9%	45.5%	42.9%	44.2%
>400% FPL	30.0%	28.7%	32.1%	30.7%

UDS data can also be used to evaluate how successfully FQHCs have collectively been in serving the residents of their local areas. This data can be used to set realistic caps on certain key ratios and assess the opportunity for a health center to grow its patient population within a market area served by several FQHCs.

The table on the following page provides data on the Redding Market Area and several other areas in northern California. The top of the page shows data from several smaller towns within Shasta County represented by single zip codes. Below that are listed similar population, poverty, and insurance market data from the UDS Mapper for various Cities (“City” in this table is defined as all zip codes with that respective city’s name).

As can be seen in this table, it is difficult to find a region or City that perfectly matches the target market area but data comparison can still be useful. The key variables for comparison are the total

population, number of health centers serving the designated area, percentage of the total population served by all health centers (shaded yellow) and the percentage of the population in poverty (shaded blue).

The key statistic to be utilized in the demand estimate to follow is the percentage of the total population served by health centers. This metric has become even more relevant to FQHCs as they evolve into primary care providers to the entire population and not just the uninsured. As can be seen in the yellow-shaded column, the only areas which exceed the Redding Market Area’s current Market Share of Total Population are the smaller geographies of Anderson and Shasta Lake. In areas such as those, it can frequently be the case that FQHCs are the only provider in the area or the only one that accepts uninsured and Medi-Cal patients.

Area Name	Health Center Count	Total Population	% Low-Income	Total FQHC Patients	FQHC Market Share of Total Population	FQHC Market Share of Medicaid/ Public Ins.	Population Poverty %	% Population Uninsured	% Population on Medicaid/ Public Ins.	% Population on Medicare / Private Ins.
<b>Redding Market Area</b>	<b>7</b>	<b>150,961</b>	<b>39%</b>	<b>33,021</b>	<b>21.9%</b>	<b>56.7%</b>	<b>17.4%</b>	<b>5.2%</b>	<b>26.0%</b>	<b>68.8%</b>
Anderson	6	23,354	46%	5,465	23.4%	50.0%	19.8%	5.5%	30.0%	64.5%
Shasta Lake	4	10,121	42%	3,254	32.2%	71.7%	19.7%	5.5%	29.9%	64.6%
Cottonwood	6	16,904	33%	1,653	9.8%	19.9%	14.7%	6.0%	26.6%	67.4%
Red Bluff	5	27,564	47%	4,531	16.4%	15.1%	19.7%	7.0%	36.2%	56.8%
City of Napa	4	96,721	26%	17,502	18.1%	66.2%	8.4%	3.6%	16.1%	80.2%
City of Petaluma	7	72,881	21%	14,935	20.5%	71.9%	8.4%	4.8%	12.7%	82.5%
City of Santa Rosa	8	215,798	32%	46,553	21.6%	58.2%	12.2%	7.1%	19.6%	73.3%
City of Woodland	4	62,404	33%	8,089	13.0%	28.4%	12.8%	5.0%	21.8%	73.2%
City of West Sacramento	7	51,527	37%	9,852	19.1%	55.9%	16.2%	4.9%	21.9%	73.2%
City of Chico	2	71,671	36%	6,813	9.5%	25.2%	19.4%	5.3%	24.7%	70.0%
City of Farifield	7	110,143	29%	7,374	6.7%	15.4%	11.9%	5.9%	23.8%	70.3%
City of Vallejo	9	121,893	36%	19,935	16.4%	36.3%	17.2%	5.3%	28.6%	66.1%
City of Davis	4	154,038	39%	8,086	5.2%	17.6%	29.7%	5.4%	18.2%	76.4%
City of Vacaville	7	103,239	20%	6,454	6.3%	27.4%	9.3%	5.1%	17.3%	77.6%
City of Sacramento	8	778,816	44%	86,442	11.1%	26.9%	22.1%	5.8%	31.3%	62.9%

It is worth noting that of the eleven cities included in the analysis, FQHCs in the Redding Market Area already have the highest market share. The most comparable city to the RMA when evaluated by size and poverty rate would appear to be Vallejo but its Market Share number is well below that of the RMA even with 2 more FQHCs serving the area.

### Market Share Calculation

The first step in developing a Market Demand Estimate for the Redding Market Area is to determine Hill Country’s existing market share there and then separately, that of all other FQHCs. This is done primarily using 2016 UDS data (as the 2017 data is not yet available). The patient numbers by insurance type are divided by the estimated the group size within the RMA. The percentage of the population that is uninsured comes from the UDS Mapper while the number of Medi-Cal eligibles is from the state Department of Health Care Services as of January 2018. The Medicare population estimate for 2017 is provided by Esite Analytics, a subscription demographic data service data

service. Finally, the percentage of the population assumed to be privately insured is simply the total nominal population less the results from the calculations for these other three groups. A table for Hill County's Market Share estimate is at the top of the next page followed by that for all other FQHCs.

<b>Current Market Share Calculation - Market Area</b>		
<b>Redding Market Area Analysis</b>	<b>Number</b>	<b>%</b>
<b>Total Hill Country Patients - 2017</b>	<b>6,131</b>	
Number of Hill Country Patients from Redding Market Area - 2016	<b>3,191</b>	<b>52.0%</b>
Number of Uninsured Patients - Redding Market Area 2016	177	5.5%
Number of Medi-Cal Patients - Redding Market Area 2016	2,212	69.3%
Number of Medicare Patients - Redding Market Area 2016	559	17.5%
Number of Medicare & Privately Insured Patients - Redding	243	7.6%
<b>Redding Market Area 2017</b>	<b>153,183</b>	
Approximate % of Redding Population Uninsured - 2016 (1)		<b>5.2%</b>
Approximate % of Redding Population on Medi-Cal (2)		<b>34.6%</b>
Approximate % of Redding Population on Medicare		<b>19.0%</b>
% of Population on Private Insurance		<b>41.2%</b>
Redding Uninsured	7,966	
Redding - Enrolled in Medi-Cal	53,001	
Redding Enrolled in Medicare	29,105	
Hill Country Market Share of Uninsured		<b>2.2%</b>
Hill Country Market Share of Medi-Cal Enrolled		<b>4.2%</b>
Hill Country Market Share of Medicare Eligible		<b>1.9%</b>
Hill Country Market Share of the Privately Insured		<b>0.4%</b>
Hill Country Market Share of Total Market Area Population		<b>2.1%</b>

(1) UDS Mapper

(2) California Dept of Health Care Services - Medi-Cal Certified Eligibles January 2018

<http://www.dhcs.ca.gov/dataandstats/statistics/Pages/Medi-Cal-Certified-EligiblesRecentTrends.aspx>

<b>All Other FQHCs - Redding Market Area Analysis</b>	Number	%
<b>Total Other FQHC Patients - 2016</b>		
Number of Other FQHC Patients from zip code 02131- 2016	<b>29,299</b>	
Number of Uninsured Patients - Other FQHCs from Redding 2016 (1)	2,818	9.6%
Number of Medi-Cal Patients - Other FQHCs from Redding - 2016	19,385	66.2%
Number of Medicare Patients - Other FQHCs from Redding - 2016	4,481	15.3%
Number of Privately Insured Patients - Other FQHCs from Redding 2016	2,615	8.9%
Redding Market Area 2017	<b>153,183</b>	
Approximate % of Redding Population Uninsured - 2017 (1)		<b>5.2%</b>
Approximate % of Redding Population on Medi-Cal (2)		<b>26.0%</b>
Approximate % of Redding Population on Medicare		<b>19.0%</b>
% of Population on Private Insurance		<b>49.8%</b>
Redding Uninsured	7,966	
Redding - Enrolled in Medi-Cal	39,828	
Redding Enrolled in Medicare	29,105	
All Other FQHC Market Share of Uninsured		<b>35.4%</b>
All Other FQHC Market Share of Medi-Cal Enrolled		<b>48.7%</b>
All Other FQHC Market Share of Medicare Eligible		<b>15.4%</b>
All Other FQHC Market Share of the Privately Insured		<b>3.4%</b>
All Other FQHC Market Share of Total Market Area Population		<b>19.1%</b>

The current and projected market share figures for Hill Country and the combined FQHCs by insurance type are:

	Hill Country Current Market Share	All FQHCs Current Market Share	Hill Country Projected Market Share (2022)	All FQHCs Projected Market Share (2022)**
Uninsured	2.2%	37.6%	14.0%	49.4%
Medi-Cal	5.6%	54.3%	12.8%	60.7%
Medicare	1.9%	17.3%	7.2%	22.6%
Private Insurance	.4%	3.8%	1.3%	4.7%
Total Population*	2.1%	21.2%	6.3%	25.5%

\* Differs from UDS Mapper 2016 data due to population change

\*\* Assumes that other FQHC market shares stay the same – or that Hill Country’s market share gains come from the general population not now served by an FQHC

**Uninsured** - As one of the only providers advertising primary care services to the uninsured it would seem reasonable to assume that the projected market share of all FQHCs could approach or exceed 50% of the uninsured population. However, this population can be difficult to retain as regular patients due both to the high mobility of segments of the uninsured and for some, a reluctance to seek services. The model assumes Hill Country conducts active outreach to the uninsured and increases its market share (and the overall) by 10.2 percentage points over 5 years (2017 – 2022).

**Medi-Cal** – The table on page 8 shows that FQHCs in the Redding market area already serve 56.7% of the total population of Medi-Cal enrolled (this differs slightly from the 54.3% calculated in the table above and the difference appears due to population estimates). It is worth noting that that market share puts the FQHCs in the Redding Market Area well ahead of most of the comparable cities (only Napa, Petaluma and Santa Rosa being higher). The model assumes this population increases only marginally at .5% per year going forward. It should be noted that the Department of Health Care Services estimates the percentage of Medi-Cal eligibles in Shasta County to be 34.6% of the population as opposed to the 26% reported by the UDS Mapper. This difference may reflect those enrolled vs those that are eligible and if so it suggests there may be some upside opportunity to get more eligible patients on the program. Hill Country's percentage of Medi-Cal patients from the RMA actually declined in 2017 but with a new large facility and the local outreach personnel to go with it, the model projects Hill Country's markets share increasing 4 percentage points in 2020 (assumed to be the year the clinic opens) and 1 point annually thereafter. The resulting Medi-Cal market share of all FQHCs in 2022 rises to 60.7% which is still below Napa and Petaluma.

**Medicare** – The population of residents age 65 and older in the RMA is projected to increase from 19% in 2017 to 21.6% in 2022. This is clearly a growth market but one which may be reasonably served by private physicians in the area. For that reason, the model only assumes a modest market share increase for Hill Country from 2.2% in 2017 to 7.2% in 2022.

**Private Insurance** – The market share of those privately insured is calculated as the percentage remaining after all other insurance types are accounted for. The overall percentage of those privately insured drops from 48.9% in 2017 to 44.3% in 2022 as a result of assumed increases in other insurance types. Hill Country's share of the privately insured is assumed to grow, albeit slowly, due to the size, location, and attractiveness of the facility, as well as the commercial nature of the location where many privately-insured people work during the day.

It would appear from publicly available sources that Shasta County has a higher than average population to provider ratio for Primary Care, Dentistry and Behavioral Health services. This may suggest some potential un-met demand for these services which the new Hill Country clinic can tap.

Using the market share data provided above that is informed by the discussion in the first section of the analysis, it is possible to create a Patient Demand Model by Payer Source for the Redding Market Area, showing the potential for the health center to expand its market to over 9,000 patients.

Hill Country, due to its enhanced integration of primary care services, has steadily increased the average number of time that a patient visits the clinic each year, growing from a consolidated average of 5.1 visits per patient in 2015 to 5.6 in 2017.

<b>Utilization Ratios</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Medical Patients	3,595	4,299	4,791
Medical Visits	12,445	15,299	16,364
Dental Patients	2,338	2,422	2,250
Dental Visits	7,099	7,767	7,276
MH Patients	866	1,004	986
MH Visits	4,914	5,873	6,607
<b>Total Patients</b>	<b>5,197</b>	<b>6,076</b>	<b>6,131</b>
<b>Total Visits</b>	<b>26,636</b>	<b>32,462</b>	<b>34,233</b>
Medical Visits/Patient	3.5	3.6	3.4
Dental Visits/Patient	3.0	3.2	3.2
MH Visits/Patient	5.7	5.8	6.7
<b>Total Visits/Patient/Yr</b>	<b>5.1</b>	<b>5.3</b>	<b>5.6</b>

Using this most current patient utilization ratio of **5.6** for projection purposes, the increase in patients to 10,274 by 2022 would be expected to generate over 57,000 patient visits, as detailed in the table below:

<b>Hill Country - Patient Demand Estimate</b>							
<b>Hill Country - Demand Estimate</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Projected CHC Market Area Pop.	153,183	154,670	156,171	157,687	159,218	160,618	162,177
Projected annual % Pop Chg.		0.97%	0.97%	0.97%	0.97%	0.97%	0.97%
% of Population Uninsured	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%	5.20%
Estimated # of People Uninsured	7,966	8,043	8,121	8,200	8,279	8,352	8,433
Hill Country Market Share of Uninsured	2.2%	3.8%	4.0%	8.0%	10.0%	12.0%	14.0%
<b># of Uninsured Patients</b>	<b>177</b>	<b>304</b>	<b>325</b>	<b>656</b>	<b>828</b>	<b>1,002</b>	<b>1,181</b>
% of Population - Medi-Cal Enrolled	26.0%	26.5%	27.0%	27.5%	28.0%	28.5%	29.0%
Estimated # of People Medi-Cal Enrolled	39,828	40,988	42,166	43,364	44,581	45,776	47,031
Hill Country Market Share of Medi-Cal	5.6%	4.8%	5.0%	9.0%	10.0%	11.0%	12.0%
<b># of Medi-Cal Patients</b>	<b>2,212</b>	<b>1,973</b>	<b>2,108</b>	<b>3,903</b>	<b>4,458</b>	<b>5,035</b>	<b>5,644</b>
% of Population - Medicare Eligible	19.0%	19.4%	19.9%	20.3%	20.7%	21.1%	21.6%
Estimated # of Medicare Enrolled	29,105	30,045	31,000	31,971	32,958	33,931	34,949
Hill Country Market Share of Medicare	1.9%	2.2%	2.2%	4.2%	5.2%	6.2%	7.2%
<b># of Medicare Patients</b>	<b>559</b>	<b>673</b>	<b>682</b>	<b>1,343</b>	<b>1,714</b>	<b>2,104</b>	<b>2,516</b>
% of Population - Privately Insured	49.8%	48.9%	48.0%	47.0%	46.1%	45.2%	44.3%
Hill Country Market Share of Private Insurance	0.3%	0.3%	0.3%	0.7%	0.9%	1.1%	1.3%
<b># of Privately Insured Patients</b>	<b>243</b>	<b>241</b>	<b>225</b>	<b>519</b>	<b>661</b>	<b>798</b>	<b>933</b>
<b>Total Projected Users from Market Area</b>	<b>3,191</b>	<b>3,190</b>	<b>3,340</b>	<b>6,421</b>	<b>7,660</b>	<b>8,939</b>	<b>10,274</b>
<b>Total Projected Users</b>	<b>3,191</b>	<b>3,190</b>	<b>3,340</b>	<b>6,421</b>	<b>7,660</b>	<b>8,939</b>	<b>10,274</b>
Billable Visits Per User	3.6	3.6	3.6	5.6	5.6	5.6	5.6
<b>Total Projected Visits to Market Area Clinic</b>	<b>11,360</b>	<b>11,358</b>	<b>11,890</b>	<b>35,955</b>	<b>42,899</b>	<b>50,061</b>	<b>57,533</b>
<b>User % of Total Population - all FQHCs'</b>	<b>21.2%</b>	<b>21.2%</b>	<b>21.3%</b>	<b>23.2%</b>	<b>23.9%</b>	<b>24.7%</b>	<b>25.5%</b>

## Sensitivity Analysis – Medi-Cal

The Demand Estimate projects over 10,000 patients being serviced by the Center of Hope, generating over 57,500 visits by 2022. Nonetheless, different projection estimates can be modeled using a sensitivity analysis on any one of the insurance types to see what the impact of a significant variation might be in the base case assumptions utilized above. For purposes of this report, the analysis is done on the Medi-Cal market share as that is both the most significant contributor to the overall predicted patient count as well as the type of insured patient that Hill Country might have to compete for most directly with Shasta CHC.

Hill Country Redding- Demand Sensitivity	2016	2017	2018	2019	2020	2021	2022
Projected Hill Country-Redding Market Share of Medi-Cal - Worst Case	5.6%	4.8%	5.0%	5.5%	6.0%	6.0%	6.0%
Total Projected Patients - Worst Case	3,191	3,190	3,340	4,903	5,877	6,651	7,452
Total Projected Visits - Worst Case	11,360	11,358	11,890	27,456	32,912	37,244	41,730
Projected Hill Country-Redding Market Share of Medi-Cal - Base Case	5.6%	4.8%	5.0%	9.0%	10.0%	11.0%	12.0%
Total Projected Patients - Base Case	3,191	3,190	3,340	6,421	7,660	8,939	10,274
Total Projected Visits - Base Case	11,360	11,358	11,890	35,955	42,899	50,061	57,533
Projected Hill Country-Redding Market Share of Medi-Cal - Best Case	5.6%	4.8%	5.0%	11.0%	13.0%	15.0%	17.0%
Total Projected Patients - Best Case	3,191	3,190	3,340	7,288	8,998	10,771	12,625
Total Projected Vistis - Best Case	11,360	11,358	11,890	40,812	50,388	60,315	70,701

In the **Worst Case** scenario shown in the table above, it is assumed that Hill Country’s market share of Medi-Cal patients increases only 0.5 percentage point in the year the clinic opens and only 0.5 points in the year following, hitting a ceiling of 6%. This has a significant impact on the total patient count – reducing it by over 2,800 to 7,452 by 2022.

The **Best Case** scenario assumes Hill Country increases its share of the Medi-Cal enrolled patients by 6 percentage points in the first year and by 2 points annually thereafter. This scenario is more aggressive and likely implies that some of the patient growth would come from the current patient population of Shasta CHC.

# CAPITAL PROJECT OVERVIEW

## Project Concept



Located in Redding, the Center of Hope will create a campus where medical, dental, mental health, substance abuse treatment and recovery activities will support people with complex health and social needs. The campus will be anchored by a clinic much like Hill Country’s current clinic in Round Mountain. Primary medical care, integrated mental health and substance abuse services, as well as dental care will all be provided within 36,000 square feet of clinical care space.



Upon completion in late 2020, the new Center of Hope will house over two times the number of employees currently working in Hill Country's Redding sites. The Center of Hope is designed to support team-based care for over 9,000 patients provided by four physicians; four midlevel medical providers; four dentists, five registered dental hygienists; ten licensed mental health clinicians; and ten complex care managers. Hill Country's five existing Redding sites currently serve approximately 3,300 patients and these sites will be closed and consolidated into the new Center of Hope

#### *Transitional Youth Housing Apartments*

The plans for Center of Hope campus also include a separate 5,000 sq ft building designed for small 4-bedroom apartments for sixteen transitional age youth (aged 18-24). Targeting this age group is a natural fit for and extension of Hill Country's ongoing commitment to young people. In eastern Shasta County, Hill Country services include teen centers in Round Mountain and Burney, intensive case management for youth with serious mental illness, and part-time employment that accommodates high school and college class schedules. Among Hill Country partners in the youth program at the Center of Hope will be Shasta College and the California Heritage YouthBuild Academy (CHYBA), a charter high school that helps transitional age youth achieve a high school diploma. The youth residents will be selected from homeless students who have taken the initiative to enroll at Shasta College or CHYBA. These are young people with significant challenges who have a vision for their future, and need some supportive adults to help them get there. As in Round Mountain, part-time jobs will be reserved at the Center of Hope for these young people. A Wellness Center that offers a computer lab, an art/science maker space, other vocational training and rooms for educational and support groups will be available to these residents, and to the surrounding community



#### *Youth Housing Project Rationale:*

- 62% of those surveyed during Hill Country's most recent Point in Time homeless count indicated that they have a chronic medical or mental health challenge that prevents them from holding a job or maintaining stable housing.
- Shasta County spends over \$34 million per year responding to local homelessness. This number includes emergency medical care, law enforcement interventions, environmental

cleanup, emergency housing and basic needs support. The majority of this money is spent to manage the homeless issue, without addressing the underlying causes.

- There are currently no programs or facilities in Redding that specifically target the youth and young adult homeless population. Our local young people are slipping through the cracks and likely to continue the cycle of poverty and homelessness without guidance and support during the transition to adulthood.
- A chronically ill individual will find it difficult, if not impossible, to maintain good health while living under a bridge or at a homeless shelter. Modest, stable housing is an important first step toward restoring health and improving self-sufficiency.

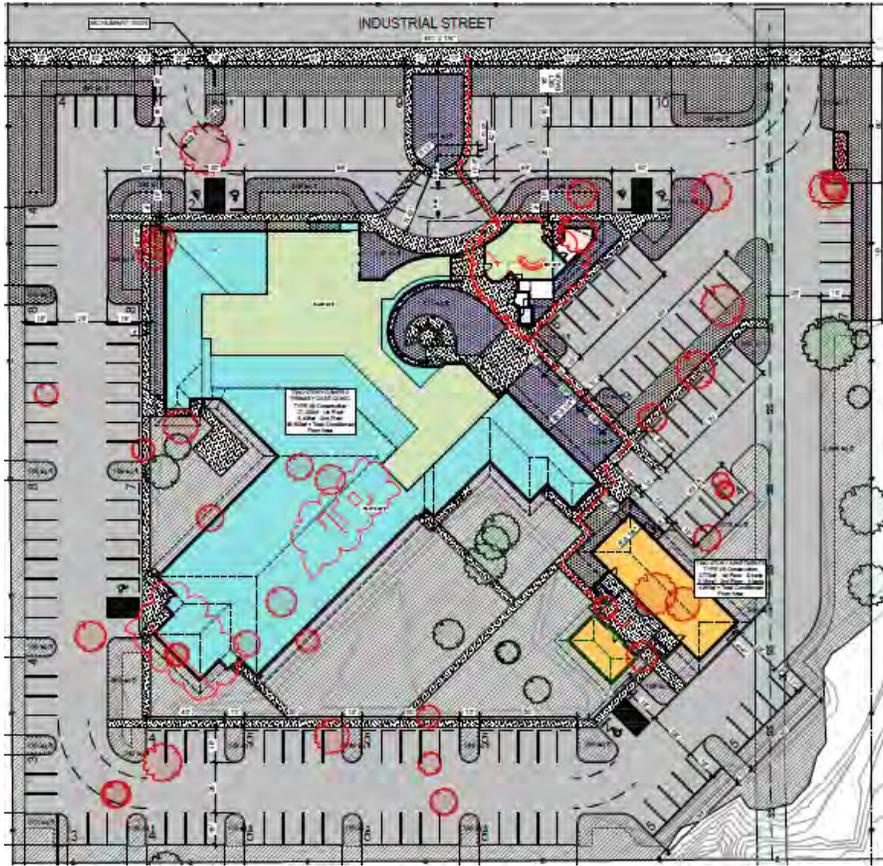
### **Site Information:**

The proposed site is currently owned by the McConnell Foundation (MF). Hill Country and MF have entered into a Memorandum of Understanding that will transfer ownership of the parcel to the health center upon the following conditions:

The 4.1 acre development site is currently part of a larger 11 acre undeveloped property owned by the McConnell Foundation <https://www.mcconnellfoundation.org/>. Hill Country and MF have entered into a Memorandum of Understanding that will transfer ownership of the parcel to the health center upon the meeting certain conditions, including:

- Approval of line adjustment for the purpose of creating a separate legal parcel for the portion of the property to be developed for the Center of Hope
- The project development costs do not exceed \$24 million, and the long-term debt needed for the project does not exceed \$12 million, and that the projected cash flow from clinic operations will support the proposed debt service.
- Letter of interest from financing institutions to finance the project using New Markets Tax Credits.

A Use Permit application has been submitted to the City of Redding that will allow McConnell Foundation to adjust the property line and transfer ownership of a 4.1 acre carve-out to Hill Country for purposes of the clinic development project. Hill Country anticipates that it will meet the various conditions of the MOU and have full site control of the 4.1 acres in early 2019.



## Project Timeline

The following table summarizes the proposed time-line for the capital expansion project:

Capital Project Task	Estimated Start	Est. Completion
Schematic Design		Mar 2018
Revised Schematics		Jun 2018
Site Plan		Jun 2018
Site Use Permit	Jun 2018	Jan 2019
Lot Line Adjustment/Property Transfer to Hill Country	Jul 2018	Jan 2019
Environmental Report	Jun 2018	Apr 2019
Construction/Bid Set Documents	Jun 2018	Jan 2019
Grading/Building Permits	Feb 2019	Apr 2019
Contractor Selection	Feb 2019	May 2019
Secure Project Financing	Jan 2019	June 2019
Construction	July 2019	Nov 2020
Occupancy		Jan 2021

## Sources & Uses of Project Funds:

The following represents the preliminary estimates of Sources and Uses of Funds for the proposed \$22 million project:

<b>SOURCES AND USES OF PROJECT FUNDS</b>		
<i>Sources of Funds:</i>	<b>Amount</b>	<b>%</b>
Property	1,760,000	8%
Capital Support	1,983,000	9%
Long-Term Debt (Source Loan)	10,000,000	45%
NMTC Equity Investment	7,293,000	33%
Cash from Reserves	1,108,567	5%
<b>Total Sources of Funds</b>	<b>\$22,144,567</b>	<b>100%</b>
<i>Uses of Funds:</i>	<b>Amount</b>	<b>%</b>
Real Estate Related Costs	1,760,000	8%
Total Hard Costs	14,945,943	67%
Total Soft Costs	3,111,373	14%
Total Equipment Costs	750,000	3%
<b>Base Development Budget</b>	<b>20,567,317</b>	<b>93%</b>
Source Loan Fees	115,000	1%
NMTC Professional Fees	296,000	1%
NMTC Financing Fees/Reserves	810,000	4%

Capitalized Interest	356,250	2%
<b>Total NMTC &amp; Financing Fees/Reserves</b>	<b>1,577,250</b>	<b>7%</b>
<b>Total Uses of Funds</b>	<b>\$22,144,567</b>	<b>100%</b>

**Sources of Funds:**

Hill Country has funding and contribution commitments for the project, summarized as follows:

Sources of External Support	Amount
Partnership Health Plan	\$ 1,743,000
Cash (McConnell Foundation)	\$ 240,000
Sub-Total	\$ 1,983,000
Property (McConnell Foundation)	\$ 1,760,000
Total Support	\$ 3,743,000

PHP has no restrictions on use of funds but they could go to construction and/or predevelopment. Payment from PHP was received in the amount of \$865k in September 2018. Remainder comes in when 50% of construction docs are completed; we are planning to invoice them next week.

Land conveyance and grant funds

In addition, Hill Country is budgeting over \$1.1 million of its own cash that it will contribute to the project funding.

**Project Development Team**

Role	Contact	Firm
Architect		Triology Architects
Project Manager	Richard Hardie	Hill Country
Contractor		TBD
CFO	Nick Cutler	Hill County Community Clinic
Financing Advisor	Tony Skapinsky	Capital Link
Legal Counsel	Tom Nelson	Nelson & Nelson

## FINANCIAL ANALYSIS AND PRO FORMA

### Introduction

The following financial overview was prepared to demonstrate the health center's financial capacity to support the proposed project, in particular the debt service associated with the proposed financing. The Financial Forecast attached as Appendix B contains financial spreadsheets portraying the historical and projected financial profile for Hill Country, including the expanded capacity gained from the proposed capital project. The financial statements attachments include a Balance Sheet, Income Statement, and Cash Flow Statement, as well as supporting schedules that include Patient Volumes and Revenue, Employment Expenses and Productivity, a Depreciation and Amortization Schedule, Project Budget, Sources & Uses of Funds, and Financial Ratios & Indicators.

### Historical Analysis of Audited Financial Performance

**Cash Position & Days Cash on Hand:** Over the FY13-FY17 period, Hill Country has gradually increased and stabilized its operating cash position. The most recent audit year (FY17) reflected a level of 77 days cash on hand, well above the industry benchmark of 45 days and ahead of the majority of California FQHCs. Notably, the Hill Country does not report any operating line of credit balances on its audited balance sheet.

<b>Cash Position</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Unrestricted Cash & Investments	858,094	1,898,881	2,213,656
Total Operating Expenses	7,297,645	8,971,079	11,001,311
Depreciation	667,875	695,940	706,175
<b>Days Cash on Hand</b>	<b>46.6</b>	<b>82.6</b>	<b>77.4</b>

**Accounts Receivable (AR) & AR Days:** Patient Accounts Receivable Days climbed to 34 days in FY17, up from 24 days in the prior year. Notably, the health center maintained its Days in Patient A/R below Capital Link's maximum recommended level of 60 days, one indicator of sound financial management practices.

<b>Accounts Receivable</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Net Patient Accounts Receivable	456,000	419,293	649,637
Net Patient Service Revenue / 360	13,344	17,696	19,183
<b>Days Net Patient Receivables</b>	<b>34.2</b>	<b>23.7</b>	<b>33.9</b>

**Account Payable (AP) & AP Days:** Capital Link recommends that health centers maintain A/P days under 60 days, and Hill Country reported a 24-day cycle in 2017, another positive indicator.

Accounts Payable	2015	2016	2017
Accounts Payable	114,744	94,422	208,013
Total Expenses	7,297,645	8,971,079	11,001,311
Salaries	3,789,223	4,985,051	6,023,065
Fringe & Payroll Taxes	713,243	939,059	1,204,861
Depreciation	667,875	695,940	706,175
Total Exp - Sal, Fringe, & Depr	2,127,304	2,351,029	3,067,210
/360	5,909.18	6,530.64	8,520.03
<b>Days in Accounts Payable</b>	<b>19.4</b>	<b>14.5</b>	<b>24.4</b>

**Current Ratio:** Hill Country has generated a steady improvement in its Current Ratio, which was 1.7 in 2017 and has been above the 1.25 target benchmark in each of the last 3 fiscal years.

Current Ratio	2015	2016	2017
Total Current Assets	1,855,918	3,025,727	4,024,219
Total Current Liabilities	1,292,241	1,909,318	2,317,430
<b>Current Ratio</b>	<b>1.4</b>	<b>1.6</b>	<b>1.7</b>

**Leverage Ratio:** Hill Country reported a total of \$4.7 million in long-term debt in 2017. Of this amount, approximately 90% or \$4.2 million consisted of insured revenue bonds that were used to finance the construction of Hill Country's primary medical facility in Round Mountain.

Overall, the health center has been steadily reducing its leverage ratio over the last three years, reporting a 2.4 leverage ratio in 2017 and bringing it within Capital Link's recommended range for health centers (2.5-3.0 or lower).

Leverage Ratio	2015	2016	2017
Total Liabilities	6,098,212	6,337,030	6,542,570
Total Net Assets	1,737,202	1,937,650	2,717,672
<b>Leverage</b>	<b>3.5</b>	<b>3.3</b>	<b>2.4</b>

### Performance Margins:

Management has been able to generate healthy positive margins in the three most recent audit periods. In 2017, the health center posted a 3.6% operating margin, a decline from the prior year but still ahead of the 3% benchmark recommended by Capital Link.

Operating Margin	2015	2016	2017
Change in Net Assets-Operating	194,421	385,613	414,408
Total Operating Revenue	7,492,066	9,356,692	11,415,719
<b>Operating Margin</b>	<b>2.6%</b>	<b>4.1%</b>	<b>3.6%</b>

The Bottom Line Margin incorporates any additional non-operating revenue and/or accounting adjustments that may be required. In 2017, Hill Country recorded a Change in Net Assets of \$780,000, representing a 6.8% bottom line margin.

Bottom Line Margin	2015	2016	2017
Change in Net Assets	213,009	200,448	780,022
Total Operating Revenue	7,492,066	9,356,692	11,415,719
<b>Bottom Line Margin</b>	<b>2.8%</b>	<b>2.1%</b>	<b>6.8%</b>

### Operating Revenue:

The following table illustrates Hill Country's major revenue streams over the FY15-FY17 periods:

Operating Revenue Sources	2015	2016	2017
Net Patient Service Revenue	4,803,960	6,370,502	6,905,728
Grants & Contract Revenue	2,172,053	2,377,280	3,744,184
Contributions/Fundraising Income	71,960	104,267	214,952
Net Assets Released from Restrictions	57,776	10,963	19,673
Other Operating Revenue	386,317	493,680	531,182
<b>Total Operating Revenue</b>	<b>7,492,066</b>	<b>9,356,692</b>	<b>11,415,719</b>

The table below further illustrates that in 2017, 60% of operating revenue was earned through the direct provision and billing of patient services, a decrease from 68% in 2016. Grant & Contract revenue made up for this shift, increasing \$1.4 million to represent 33% of total operating revenue.

<b>Operating Revenue Mix</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
% Patient Service Revenues	64%	68%	60%
% Grants & Contracts Revenues	30%	26%	33%
% Other Operating Revenues	6%	6%	7%

The consistently high revenue growth over the historical review period is illustrated by the following table:

<b>Operating Revenue Growth</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Total Operating Revenue Current Year	7,492,066	9,356,692	11,415,719
Total Operating Revenue Previous Year	5,439,067	7,492,066	9,356,692
<b>Operating Revenue Growth Rate</b>	<b>37.7%</b>	<b>24.9%</b>	<b>22.0%</b>

**Operating Expenses:** Hill Country's Total Operating Expense structure in FY17 increased 23% from the year prior, a rate similar to the prior year and slightly outpacing 2017 revenue growth.

<b>Operating Expense Growth</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Total Operating Expenses Current Year	7,297,645	8,971,079	11,001,311
Total Operating Exp. Previous Year	5,615,925	7,297,645	8,971,079
<b>Operating Expenses Growth Rate</b>	<b>29.9%</b>	<b>22.9%</b>	<b>22.6%</b>

Employment Expenses: Given the labor-intensive nature of community health center operations, growth in Operating Expenses at Hill Country is driven primarily by Personnel Expenses, including professional and contracted services. As shown below, salaries and related expenses consumed 69% of operating revenues in 2017, just below the 70% maximum benchmark level suggested by Capital Link. At the same time, successful recruitment and retention of provider staff is an increasingly competitive process which puts continued strain on health center operating budgets.

<b>Employment Related Expenses</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Salaries & Related Expenses	3,789,223	4,985,051	6,023,065
Fringes & Payroll Taxes	713,243	939,059	1,204,861
Professional/Contracted/Consultants	329,741	379,942	628,124
Total Employment-Related Exp.	4,832,207	6,304,052	7,856,050
Total Operating Revenue	7,492,066	9,356,692	11,415,719
<b>Employment-Related Expense %</b>	<b>64.5%</b>	<b>67.4%</b>	<b>68.8%</b>

## Debt Capacity

Hill Country's debt capacity is calculated by first determining Funds Available for Debt Service (Net Income + depreciation + interest expense) and discounting this amount to reflect a standard debt coverage ratio requirement of 1.25. In the table below, the amount of debt the historical cash flow could support in past years is determined based on a 30-year term and both a 3.25% fixed interest rate (USDA rate) and a comparative market rate of 5%.

Debt Capacity Sensitivity Analysis	2015	2016	2017
<b>Total Funds Available for Debt Service (FADS)</b>	1,065,814	1,089,150	1,641,810
<b>Adjusted FADS</b> (discounted by 1.25 debt coverage ratio)	852,651	871,320	1,313,448
Debt Supported by Adjusted Cash Flow Interest Rate: <b>5.0%</b> Term: 25 Years	12,017,219	12,280,336	18,511,663
Debt Supported by Adjusted Cash Flow Interest Rate: <b>6.0%</b> Term: 25 Years	10,899,744	11,138,394	16,790,274

As shown in the table above, Hill Country historical operational cash flow would support a total of approximately \$16-18 million in total long-term debt, based on a 25-year term and an annual fixed interest rate range of 5-6%. Given that Hill Country reported \$4.7 million in existing long-term debt in 2017, the historical capacity to support new additional debt would be \$12 million or more (@ 6% interest). Notably, the historical cash flow demonstrates surplus debt capacity level more than sufficient to support the \$10 million project financing needs for the Center of Hope.

Note however that Capital Link does not generally suggest that health centers pursue financing to the limit of their debt capacity. Careful analysis and financial projections for the proposed level of expanded operations are critical to understand projected debt capacity. The above cash flow calculations can nevertheless serve as a useful reference point to provide historical financial capacity of the organization within the context of the current NMTC financing opportunity for the Center of Hope project.

## Financial Forecast FY2018-FY2023

Though the historical cash flow illustrates the debt capacity to support the proposed expansion project, Capital Link worked with Hill Country management to develop five years of financial projections FY2018 through FY2023. For projection purposes, the focus of the analysis remains on the expanded Redding clinic capacity that will be offered by the Center of Hope. The non-Redding activity, including the operations at the main site in Round Mountain, are held in a steady state for purposes of better assessing the anticipated impact of the Center of Hope on the consolidated financial profile of the clinic corporation.

### Center of Hope

#### *Staffing, Utilization, and Revenues*

Hill Country's 2019 budget includes the operations of 6 clinic sites within the City of Redding, with 5 of the 6 generating billable patient visits. The CARE Center by contrast operates under a separate contract with the County of Shasta health department, generating grant revenue for counseling and recovery services provided but not billable visits to 3<sup>rd</sup> party payers. In aggregate, the Redding sites are budgeted in 2019 to employ over 12 full time equivalent medical, dental and behavioral health providers, generating over 25,000 patient visits.

In 2020, Hill Country anticipates continued unmet need in the Redding community and is planning to hire additional providers in all 3 program areas, most notably adding 2 more dental providers. The 17 FTE providers are forecasted to generate nearly 32,000 patient visits in Redding by 2020.

In 2021, Hill County will consolidate all Redding site operations into the new Center of Hope, allowing the health center to add much needed medical, dental and behavioral health capacity for the Redding service area. In particular, over 10 additional providers will be hired for a total of over 27 FTE providers, who are expected to generate over 51,000 billable visits based on current patient utilization patterns.

	Lake Blvd	North Point	CARE Center	Dental Site	Market Street	Gold Street	Total Redding Depts		Center of Hope		
	2019	2019	2019	2019	2019	2019	2019	2020	2021	2022	2023
<b>Provider FTEs</b>											
Behavioral Health	0.80	-	-	-	3.95	-	4.75	6.50	10.00	10.00	10.00
Dental	-	-	-	2.00	-	-	2.00	4.00	9.00	9.00	9.00
Medical	2.75	0.40	-	-	-	2.75	5.90	6.50	8.80	8.80	8.80
<b>Total Provider FTEs</b>	<b>3.55</b>	<b>0.40</b>	<b>-</b>	<b>2.00</b>	<b>3.95</b>	<b>2.75</b>	<b>12.65</b>	<b>17.00</b>	<b>27.80</b>	<b>27.80</b>	<b>27.80</b>
<b>Patient Visits</b>											
Behavioral Health	799	-	-	-	3,944	-	4,742	6,490	9,984	9,984	9,984
Dental	-	-	-	3,536	-	-	3,536	7,072	15,850	15,912	15,912
Medical	7,150	2,479	-	-	-	7,150	16,779	18,339	25,239	25,238	25,238
<b>Total Visits</b>	<b>7,949</b>	<b>2,479</b>	<b>-</b>	<b>3,536</b>	<b>3,944</b>	<b>7,150</b>	<b>25,058</b>	<b>31,901</b>	<b>51,073</b>	<b>51,134</b>	<b>51,134</b>

As shown in the following table, the additional capacity at the Center of Hope will allow Redding activities to generate over \$12 million in gross profit during the first year alone (2021), representing a 73% increase in revenues from the 2019 aggregate budget for the current Redding sites. Most of this increase will come from directly from the additional billable patient visits, but increased revenue is also anticipated from 340B program as the health center expands its patient population.

**Revenue Detail: COH**

<b>REDDING/COH 2019-2023</b>		<b>Construction</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
<i>ANNUAL INCREASE</i>		<i>1.5%</i>	<i>Open</i>	<i>1.5%</i>	<i>1.5%</i>
	<b>Total Redding Depts</b>	<b>Center of Hope</b>			
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Total Encounters</b>	<b>25,058</b>	<b>31,901</b>	<b>51,073</b>	<b>51,134</b>	<b>51,134</b>
4100 · Direct Patient Income	3,867,692	3,925,707	8,133,121	8,255,118	8,378,945
4200 · Indirect Patient Income	555,000	563,325	895,110	908,537	922,165
4300 · 340B Income	808,795	820,927	1,438,102	1,459,674	1,481,569
4400 · Grant Income	1,965,645	1,995,130	2,292,556	2,326,944	2,361,849
4500 · Contributions	-	-	-	-	-
4600 · Other Program Income	-	-	38,400	38,976	39,561
<b>Total Income</b>	<b>\$ 7,197,132</b>	<b>\$ 7,305,089</b>	<b>\$ 12,797,289</b>	<b>\$ 12,989,248</b>	<b>\$ 13,184,087</b>
<b>Cost of Goods Sold</b>		-	-	-	-
5100 · 340B	\$ 273,873	\$ 277,981	\$ 618,384	\$ 627,660	\$ 637,075
<b>Total COGS</b>	<b>\$ 273,873</b>	<b>\$ 277,981</b>	<b>\$ 618,384</b>	<b>\$ 627,660</b>	<b>\$ 637,075</b>
<b>Gross Profit</b>	<b>\$ 6,923,259</b>	<b>\$ 7,027,108</b>	<b>\$ 12,178,905</b>	<b>\$ 12,361,589</b>	<b>\$ 12,547,012</b>

*COH Salaries:*

The staffing plan for the COH is budgeted for 100 FTEs (including the 27 providers as detailed above) across 5 departments as summarized by the table below. Total payroll is forecasted at \$6.1 million. For budgeting purposes, federal taxes of \$525,000 are included in the total payroll amount of \$6.6 million for project year 1.

**Staffing and Salary Summary: COH**

<b>Year 1</b>	<b>FTE</b>	<b>Payroll</b>	
<b>Administration</b>	9.00	\$ 250,720	
<b>Counseling</b>	12.00	\$ 848,640	
<b>Dental</b>	22.00	\$ 1,527,760	
<b>Medical</b>	39.00	\$ 2,493,920	
<b>Wellness Center</b>	18.00	\$ 976,995	
<b>Budget</b>	<b>100.00</b>	<b>\$ 6,098,035</b>	
<b>Federal Taxes</b>			<b>% of Salaries</b>
Employer taxes		439,058	7.2%
Workers Comp		60,980	1.0%
Unemployment		24,392	0.4%
Total Federal Taxes		524,430	8.6%
<b>Payroll + Federal Taxes</b>		<b>\$ 6,622,465</b>	
<b>Fringe</b>			
Employee Life Insurance		11,570	0.2%
Health Insurance		682,980	11.2%
<b>Total Fringe</b>		<b>\$ 694,550</b>	<b>11.4%</b>

In addition, nearly \$700,000 in fringe benefit costs are also budgeted as shown but carried separately as an expense line item.

The \$6.6 million payroll amount for the COH represents a 75% increase over the payroll budgeted for consolidated Redding activities prior to the opening of the new facility. For projection purposes, salaries are inflated 1.5% for both Year 2 and Year 3.

**Payroll Summary: COH**

<b>REDDING/COH 2019-2023</b>		<b>Construction</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
<i>ANNUAL INCREASE</i>		<i>1.5%</i>	<i>Open</i>	<i>1.5%</i>	<i>1.5%</i>
	<b>Total Redding Depts</b>	<b>Center of Hope</b>			
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>6110 · Payroll</b>	\$ 3,731,130	\$ 3,787,097	\$ 6,622,465	\$ 6,721,802	\$ 6,822,629
<b>6120 · Fringe Benefits</b>	391,250	397,119	694,550	704,968	715,543

*COH Consolidated Operating Budget:*

Combining the revenue and payroll information above, the total Year 1 Operating Budget for the COH forecasts a net operating surplus of \$2.6 million, up from the \$1.5 million surplus of the consolidated Redding operations prior to the COH opening. Line item detail for the operating budget is available in the attached Financial Forecast.

**Summary Income Statement: COH**

<b>REDDING/COH 2019-2023</b>		<b>Construction</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
<i>ANNUAL INCREASE</i>		<i>1.5%</i>	<i>Open</i>	<i>1.5%</i>	<i>1.5%</i>
	<b>Total Redding Depts</b>	<b>Center of Hope</b>			
<b>Gross Profit</b>	\$ 6,923,259	\$ 7,027,108	\$ 12,178,905	\$ 12,361,589	\$ 12,547,012
<b>Total Expense</b>	\$ 5,377,793	\$ 5,458,460	\$ 9,545,354	\$ 9,688,534	\$ 9,833,862
<b>Net Ordinary Income</b>	\$ 1,545,467	\$ 1,568,648	\$ 2,633,551	\$ 2,673,054	\$ 2,713,150

*COH Project Depreciation Expense*

The forecasted depreciation expense associated with the fixed assets of the Center of Hope is summarized as follows:

<b>Depreciation Expense for Center of Hope: Project Assets</b>			
		<b># of Years</b>	<b>Annual</b>
		<b>Depreciated</b>	<b>Depreciation</b>
<b>Building Project Costs</b>			
Hard Costs (Construction-Related)	14,945,943		
Soft Costs	4,332,373		
Total Development Cost of Buildings	19,278,317	39	\$494,316
<b>Furniture, Fixtures, and Equip Costs</b>			
FF&E Costs	750,000	7	\$107,143
<b>Total Annual Depreciation Expense:</b>			<b>\$601,459</b>

### COH Project Interest Expense

Hill Country anticipates 2 separate loans to meet the \$10 million long-term financing requirements of the project. For projection purposes, a \$5 million loan is modeled as a CDFI loan @ 5.5% fixed interest rate using a 25-year amortization.

Hill Country is also pursuing a loan of \$5 million with Dignity Health through their Community Investment program. It is anticipated that the program will offer an interest rate of 3.5% fixed, with a 30-year amortization period. The tables below reflect the interest expense of this split loan structure.

#### CDFI Loan

Terms: \$5 million @ 5.5% fixed rate of interest; amortization 25 years

Time Period	Balance @ Start of Term	Principal & Int. Pymts	Interest Expense	Principal Payable	Balance @ End of Term
12/31/2021	5,000,000	368,452	272,608	95,845	4,904,155
12/31/2022	4,904,155	368,452	267,201	101,251	4,802,904
12/31/2023	4,802,904	368,452	261,490	106,962	4,695,942
12/30/2024	4,695,942	368,452	255,457	112,996	4,582,946

#### Dignity Loan

Terms: \$5 million @ 3.5% fixed rate of interest; amortization 30 years

Time Period	Balance @ Start of Term	Principal & Int. Pymts	Interest Expense	Principal Payable	Balance @ End of Term
12/31/2021	5,000,000	269,427	173,470	95,956	4,904,044
12/31/2022	4,904,044	269,427	170,058	99,369	4,804,674
12/31/2023	4,804,674	269,427	166,523	102,904	4,701,771
12/31/2024	4,701,771	269,427	162,863	106,564	4,595,207

#### Combined Amortization of \$10 million in Long-Term Debt:

Time Period	Balance @ Start of Term	Principal & Int. Pymts	Interest Expense	Principal Payable	Balance @ End of Term
12/31/2021	10,000,000	637,879	446,078	191,801	9,808,199
12/31/2022	9,808,199	637,879	437,259	200,620	9,607,579
12/31/2023	9,607,579	637,879	428,013	209,866	9,397,713
12/30/2024	9,397,713	637,879	418,320	219,559	9,178,153

## **Consolidated Corporate Financial Profile: Hill Country Community Clinic**

The operating budgets from the Redding site activities are combined with the non-Redding activity<sup>1</sup>, in particular the main Round Mountain site, to provide the consolidated financial forecast. The financial forecast includes the forecasted corporate income statement and balance sheet, along with the statement of cash flows. The addition of project t assets from the COH as well as financing liabilities are included within the corporate consolidation to better understand the overall capacity of Hill Country to feasibly borrow the \$10 million in long-term debt required to complete funding for the project.

As highlighted by the various key financial metrics below, Hill Country’s forecasted financial performance as well as financial condition are expected to improve by the proposed expansion opportunity. In particular, cash flow from consolidated operations as of 2021 is projected to be more than sufficient to support the project annual debt service of \$637,000 on the \$10 million financing in addition to the \$325,000 in existing debt service scheduled for that year. Other key metrics as shown below are projected to be within or ahead of normal ranges and meet conventional credit underwriting requirements.

### **Operating Margin**

CL Benchmark: >3.0%	2018	2019	2020	2021	2022	2023
Total Revenue	\$12,180,922	\$12,968,404	\$13,162,930	\$19,362,785	\$19,653,227	\$19,948,026
Growth Rate	6.7%	6.5%	1.5%	47.1%	1.5%	1.5%
Total Expenses	\$12,341,364	\$12,804,734	\$12,996,805	\$18,993,923	\$19,254,299	\$19,518,288
Growth rate	12.2%	3.8%	1.5%	46.1%	1.4%	1.4%
Change in Net Assets	(\$160,442)	\$163,670	\$166,125	\$368,863	\$398,928	\$429,738
<b>Operating Margin</b>	<b>-1.3%</b>	<b>1.3%</b>	<b>1.3%</b>	<b>1.9%</b>	<b>2.0%</b>	<b>2.2%</b>

### **Change in Net Assets**

Due to additional revenue from non-operating sources, the projected Bottom Line Margin continues to exceed the Operating Margin throughout the projection period. In particular, project designated capital support of \$1.2 million in FY18 and \$2.5 million in FY19 is forecasted primarily from the McConnell Foundation and Partnership Health Plan.

Change in Net Assets	2018	2019	2020	2021	2022	2023
Operating Margin	-1.3%	1.3%	1.3%	1.9%	2.0%	2.2%
Bottom Line Margin	8.7%	20.8%	1.4%	2.0%	2.1%	2.3%
Change in Net Assets	\$1,065,603	\$2,703,885	\$184,395	\$387,407	\$417,750	\$448,843

<sup>1</sup> In order to isolate the financial impacts of the Center of Hope, non-Redding clinic operations are held in a steady state with a 1.5% annual growth factor. Details are in the Financial Forecast.

## Days Cash on Hand

The projected levels of days cash on hand show a general improvement after operational consolidation into the new site in 2020. Cash reserves, primarily driven by the operational surpluses along with the reclaiming of depreciation expense, are projected to be 93 days in 2020 and increase to 130 days by 2023, with all years well above minimum required thresholds of 30-45 days.

CL Benchmark: >45 days	2018	2019	2020	2021	2022	2023
Unrestricted Cash	\$3,031,459	\$3,757,017	\$3,148,244	\$4,426,376	\$5,715,100	\$7,027,881
Growth Rate	37.1%	23.9%	-16.2%	40.6%	29.1%	23.0%
<b>Days Cash on Hand</b>	<b>94</b>	<b>113</b>	<b>93</b>	<b>90</b>	<b>114</b>	<b>139</b>

## Current Ratio

Similarly, the current ratio is projected to remain healthy and well above minimum requirements of 1.2.

CL Benchmark: >1.2	2018	2019	2020	2021	2022	2023
Current Assets	\$4,673,202	\$12,937,876*	\$4,850,265	\$6,656,023	\$7,974,122	\$9,316,719
Current Liabilities	\$2,606,777	\$2,637,796	\$2,608,778	\$3,343,528	\$3,383,927	\$3,232,725
<b>Current Ratio</b>	<b>1.8</b>	<b>4.9</b>	<b>1.9</b>	<b>2.0</b>	<b>2.4</b>	<b>2.9</b>

\*2019 includes restricted capital project construction funds not yet expended

## Leverage Ratio

The leverage position of the health center does increase dramatically with the addition of the project debt. The current level of 1.7 is forecasted to range from roughly 5.0-6.0 throughout the projection period, well above recommended ranges.

CL Benchmark: <3.0	2018	2019	2020	2021	2022	2023
Total Liabilities	\$6,576,712	\$37,702,264	\$37,474,433	\$37,648,155	\$37,294,228	\$36,923,914
Total Net Assets	\$3,783,275	\$6,487,160	\$6,671,555	\$7,058,962	\$7,476,712	\$7,925,554
<b>Leverage Ratio</b>	<b>1.7</b>	<b>5.8</b>	<b>5.6</b>	<b>5.3</b>	<b>5.0</b>	<b>4.7</b>

The forecasted balance sheet for Hill Country includes the \$14.7 million in NMTC loans receivable, which represents the leverage loan to be made by Hill Country to the NMTC Investment Fund for purposes of funding the \$22 million NMTC transaction. The remaining \$7.3 million in funds will be provided by the NMTC investor, which will convert to Hill Country equity once the investor can claim the full tax credits after the conclusion of the 7-year tax compliance period.

The \$22 million in NMTC project funding will result in Hill Country’s affiliate organization, tentatively identified as Center for Hope, Inc., borrowing \$21.3 million in total development loans from the community development entities (CDEs) that will serve as lenders and tax credit allocates for the project. These \$21.3 million in debt, owed by the affiliate organization for the duration of the 7-year tax credit period, is shown on the consolidated balance sheet for Hill Country.

	2019	2020	2021	2022	2023
NMTC Loans Rec. (Leverage Loan)	\$14,707,000	\$14,707,000	\$14,707,000	\$14,707,000	\$14,707,000
NMTC Loans Payable (QLICIs)	21,340,000	21,340,000	21,340,000	21,340,000	21,340,000

Adjusting the Leverage Ratio to Account for NMTC Loans: For a more nuanced leverage analysis, these internal loans can be eliminated to better assess the true balance between external debt/liabilities of the organization to its net assets. This approach therefore treats the \$7.3 million provided by the NMTC investor as quasi-equity for Hill County and not 7-year debt. Only the \$10 million long-term debt (source loan) is added to the projected balance sheet.

CL Benchmark: <3.0	2018	2019	2020	2021	2022	2023
Total Liabilities	6,576,712	16,617,469	16,635,105	17,007,641	16,831,140	16,645,712
Total Net Assets	3,783,275	13,120,160	13,304,555	13,691,962	14,109,712	14,558,554
<b>Adjusted Leverage Ratio</b>	<b>1.7</b>	<b>1.3</b>	<b>1.3</b>	<b>1.2</b>	<b>1.2</b>	<b>1.1</b>

## Debt Service Coverage

Debt service from the proposed \$10 million in financing is projected starting in FY21, the year that the new clinic becomes fully operational. Cash flow from consolidated Hill Country operations in forecasted to be in excess of \$2 million annually, more than sufficient to cover the total debt service obligations of nearly \$1 million. The debt service coverage ratio is forecast to be at a low of 2.3. The debt service coverage analysis is summarized in the table below, illustrating the financial feasibility of the proposed project based on the operational and capital assumptions used for the Center of Hope project.:

Debt Service Coverage Ratio						
	2018	2019	2020	2021	2022	2023
<i>Operating Surplus (Deficit)</i>	(160,442)	163,670	166,125	368,863	398,928	429,738
<i>Total Depreciation</i>	777,448	800,448	812,455	1,244,628	1,254,276	1,264,068
<i>Total Interest</i>	143,070	143,070	145,216	593,473	586,864	579,863
<b><i>Total Cash from Ops. Before D/S</i></b>	<b>760,076</b>	<b>1,107,188</b>	<b>1,123,796</b>	<b>2,206,963</b>	<b>2,240,068</b>	<b>2,273,669</b>
<i>Existing Debt Service</i>	398,275	388,537	344,029	324,819	334,491	151,849
<i>Proposed Debt Service</i>				637,879	637,879	637,879
<b><i>Total Debt Service</i></b>	<b>398,275</b>	<b>388,537</b>	<b>344,029</b>	<b>962,699</b>	<b>972,371</b>	<b>789,729</b>
<i>Surplus (Deficit) Cash Flow after D/S</i>	361,801	718,651	779,767	1,244,265	1,267,697	1,483,940
<b><i>Debt Service Coverage Ratio</i></b>	<b>1.9</b>	<b>2.8</b>	<b>3.3</b>	<b>2.3</b>	<b>2.3</b>	<b>2.9</b>